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On

Evaluation of Financial Management of Power Sector in India – A Comparative Study of National Hydroelectric Power Corporation (NHPC) and TATA Power Company Limited

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Introduction

Business concern needs finance to meet their requirements in the economic world. Any kind of business activity depends on the finance. Hence, it is called as lifeblood of business organization. Whether the business concerns are big or small, they need finance to fulfill their business activities. The role of finance is very important in business particularly in companies. It should also be available in right time. If it is not available in time, the company is very much affected. Credit in time, suitable composition, quality and quantity gear the economic activities of companies for better results. Shortage of credit impedes the economic activity. Hence finance has significance in the normal course of trade. Finance is one of the basic foundations of all kinds of economic activities. It has been said that finance is the master key to all the sources of manufacturing and merchandising activities and it is needed in making business profitable. But it is also true that, money begets more money only if it is properly managed. Hence efficient management of every business enterprises is closely linked with efficient management of its finance. A firm's success and survival is highly dependent on its management of finance. For an efficient financial management proper financial decision should be taken. The goal of financial decisions is to create highest wealth for owners and lenders and consequently enhancing the value of the firm. This goal can be achieved by planning, decision making and controlling over the capital which is employed.

Importance of capital in overall management of the company has been emphasized by Collin Brooks that, "bad production management and bad sales management have slain their hundreds but faulty finance has slain its thousands". In a developing country like India where financial resources are scare, a sound financial management plays a crucial role. In a sound financial management of an enterprise, its capital structure has a very important place. One of the crucial problems in financing decision being faced by the business enterprises in need of finance is whether to raise debt or equity. Whether the use of debt capital affects the cost of capital and value of the firm, is a considerable question. The finance manager of a firm should analyse risk and return while making the financing decision, and the risk associated with leverage must be linked with required rate of return.

Financial Management

Financial management is an operational function, which involves financial planning, financial forecasting and provision of finance as well as the formulation of financial policies. It is that part of management which is mainly concerned with raising funds in the most economic and suitable manner; using the funds as profitably as possible; planning future operations; and controlling current performances and future developments. Financial management provides the best guide for future resource allocation by a firm. It provides relatively uniform yardstick for judging most of the enterprises operations and projects. Moreover, it implies the designing and implementation of certain plans. Plans aims at an effective utilization of funds. It also connotes responsibility for obtaining and effectively utilizing funds necessary for the efficient operation of an enterprise financial management hold essence as it has an impact on all the activities of a firm. All business decisions have financial implications, and a single decision may financially affect different departments of an organization. Financial management may be considered to be the management of finance function. It may be described as making decisions on financial matters and facilitating and reviewing their execution. It may be used to designate the field of study which lies beneath these processes.

In today's world where positive cash flow is more important than book profit, Financial Management can also be defined as planning for the future of a business enterprise to ensure a positive cash flow. Some experts also refer to financial management as the science of money management.

Various experts' defined financial management in different sense, however, senses of all these are some of the most famous definition are:

J.F. Bradley defined, financial management as "the area of business management devoted to a judicious use of capital and a useful selection of sources of capital in order to enable a business firm to move in the direction of reaching its goals."

Ezra Solomon defined the "financial management is concerned with the efficient use of important economic resources namely capital funds".

Husband and Dockery stated about the financial management, "in an organism composed of a number of separate activities, each working for its own end but simultaneously making for its own end but simultaneously making a contribution to the system as a whole, some force is necessary to bring about direction and

coordination of economic activity and facilitate its smooth operation. Financial management is the agent that produces this result."

Raymond Chambers defined "Financial Management comprises the forecasting, planning organizing, directing, coordinating and controlling of all activities relating to acquisition and application of the financial resources of an undertaking in keeping with its financial objective."

Phillippatus has given very elaborate definition "Financial Management is concerned with the managerial decisions that result in the acquisition and financing of short term and long term credits for the firm."

Thus, in the light of above definitions, it can be concluded that, financial management is a process of making decisions with regard to procurement of funds and utilization there of so as to maximize corporate volume of the organization and its stakeholders and for its smooth operation, proper direction and co-ordination of economic activities is required.

Basic aspects of Financial Management

There are two basic aspects of financial management viz., procurement of funds and Utilization of Funds-

Procurement of Funds

Since funds can be obtained from different sources therefore their procurement is always considered as a complex problem by business concerns. Some of the sources for funds for a business enterprise are:-[1]

In a global competitive scenario, it is not enough to depend on the available ways of raising finance but resource mobilization has to be undertaken through innovative ways or financial products which may meet the needs of investors. It is constantly seeing new and creative sources of funds which are helping the modern businesses to grow faster. For example trading in Carbon Credits is turning out to be another source of funding.

Funds procured from different sources have different characteristics in terms of risk, cost and control. The cost of funds should be at the minimum level for that a proper balancing of risk and control factors must be carried out.

Another key consideration in choosing the source of new business finance is to

[1]Procurement of fund
https://businessjargons.com/financial-management.html

strike a balance between equity and debt to ensure the funding structure suits the business. Let us discuss some of the sources of funds:

a) **Equity:** The funds raised by the issue of equity shares are the best from the risk point of view for the firm, since there is no question of repayment of equity capital except when the firm is under liquidation. From the cost point of view, however, equity capital is usually the most expensive source of funds. This is because the dividend expectations of shareholders are normally higher than prevalent interest rate and also because dividends are an appropriation of profit, not allowed as an expense under the Income Tax Act. Also the issue of new shares to public may dilute the control of the existing shareholders.

b) **Debentures:** Debentures as a source of funds are comparatively cheaper than the shares because of their tax advantage. The interest the company pays on a debenture is free of tax, unlike a dividend payment which is made from the taxed profits. However, even when times are hard, interest on debenture loans must be paid whereas dividends need not be. However, debentures entail a high degree of risk since they have to be repaid as per the terms of agreement. Also, the interest payment has to be made whether or not the company makes profits.

c) **Funding from Banks:** Commercial Banks play an important role in funding of the business enterprises. Apart from supporting businesses in their routine activities (deposits, payments etc) they play an important role in meeting the long term and short term needs of a business enterprise.

International Funding: Funding today is not limited to domestic market. With liberalization and globalization a business enterprise has options to raise capital from International markets also. Foreign Direct Investment (FDI) and Foreign Institutional Investors (FII) are two major routes for raising funds from foreign sources besides ADR's (American Depository Receipts) and GDR's (Global Depository Receipts). Obviously, the mechanism of procurement of funds has to be modified in the light of the requirements of foreign investors.

Utilization of Funds

The finance manager is also responsible for effective utilization of funds. All the funds are procured at a certain cost and after entailing a certain amount of risk. If these funds are not utilized in the manner so that they generate an income higher than the cost of procuring them, there is no point in running the business. Hence, it is crucial to employ the funds properly and profitably. Some of the aspects of funds utilization are:-

(a) **Utilization for Fixed Assets:** The funds are to be invested in the manner so that the company can produce at its optimum level without endangering its financial solvency. For this, the finance manager would be required to possess sound knowledge of techniques of capital budgeting. Capital budgeting *(or* investment appraisal) is the planning process used to determine whether a firm's long term investments such as new machinery, replacement machinery, new plants, new products, and research development projects would provide the desired return (profit).

(b) **Utilization for Working Capital:** The finance manager must also keep in view the need for adequate working capital and ensure that while the firms enjoy an optimum level of working capital they do not keep too much funds blocked in inventories, book debts, cash etc.

Objectives of Financial Management

Effective procurement and efficient use of finance lead to proper utilization of the finance by the business concern. It is the essential part of the financial manager. Hence, the financial manager must determine the basic objectives of the financial management. Objectives of Financial Management may be broadly divided into two parts such as:

1. Profit maximization
2. Wealth maximization.

Profit Maximization

Main aim of any kind of economic activity is earning profit. A business concern is also functioning mainly for the purpose of earning profit. Profit is the measuring techniques to understand the business efficiency of the concern. Profit maximization is also the traditional and narrow approach, which aims at, maximizes the profit of the concern. Profit maximization consists of the following important features.

- Profit maximization is also called as cashing per share maximization. It leads to maximize the business operation for profit maximization.
- Ultimate aim of the business concern is earning profit, hence, it considers all the possible ways to increase the profitability of the concern.
- Profit is the parameter of measuring the efficiency of the business concern. So it shows the entire position of the business concern.
- Profit maximization objectives help to reduce the risk of the business.

Favourable Arguments for Profit Maximization

The following important points are in support of the profit maximization objectives of the business concern:[2]

- Main aim is earning profit.
- Profit is the parameter of the business operation.
- Profit reduces risk of the business concern.
- Profit is the main source of finance.
- Profitability meets the social needs also.

Unfavourable Arguments for Profit Maximization

The following important points are against the objectives of profit maximization:

- Profit maximization leads to exploiting workers and consumers.
- Profit maximization creates immoral practices such as corrupt practice, unfair trade practice, etc.
- Profit maximization objectives leads to inequalities among the stake holders such as customers, suppliers, public shareholders, etc.

Drawbacks of Profit Maximization

Profit maximization objective consists of certain drawback also:

- **It is vague:** In this objective, profit is not defined precisely or correctly. It creates some unnecessary opinion regarding earning habits of the business concern.
- **It ignores the time value of money:** Profit maximization does not consider the time value of money or the net present value of the cash inflow. It leads certain differences between the actual cash inflow and net present cash flow during a particular period.

[2] Chandra Prasana, Financial Management: Theory and Practice, Tata McGraw Hill Publishing Company Ltd., New Delhi, 2019, p 31

- **It ignores risk:** Profit maximization does not consider risk of the business concern. Risks may be internal or external which will affect the overall operation of the business concern.

Wealth Maximization

Wealth maximization is one of the modern approaches, which involves latest innovations and improvements in the field of the business concern. The term wealth means shareholder wealth or the wealth of the persons those who are involved in the business concern.

Wealth maximization is also known as value maximization or net present worth maximization. This objective is a universally accepted concept in the field of business.[3]

Favourable Arguments for Wealth Maximization

- Wealth maximization is superior to the profit maximization because the main aim of the business concern under this concept is to improve the value or wealth of the shareholders.
- Wealth maximization considers the comparison of the value to cost associated with the business concern. Total value detected from the total cost incurred for the business operation. It provides extract value of the business concern.
- Wealth maximization considers both time and risk of the business concern.
- Wealth maximization provides efficient allocation of resources.
- It ensures the economic interest of the society.

Unfavourable Arguments for Wealth Maximization

- Wealth maximization leads to prescriptive idea of the business concern but it may not be suitable to present day business activities.
- Wealth maximization is nothing, it is also profit maximization, it is the indirect name of the profit maximization.
- Wealth maximization creates ownership-management controversy.
- Management alone enjoys certain benefits.
- The ultimate aim of the wealth maximization objectives is to maximize the profit.
- Wealth maximization can be activated only with the help of the profitable

[3] Chandra Prasana, Financial Management: Theory and Practice, op-cit

position of the business concern.

Power Sector in India

Power is the most vital contributory factor to economic development and social transformation especially for developing countries of the world. Without the availability of power, the great strides taken by the society in industry, transport and agriculture would have been unimaginable. In fact, power, transport and communication represent three important infrastructural sectors which determine the level of industrial and economic development of a country. Amongst the important parameters applied to assess and ascertain the overall growth and development of the country, power occupies a pivotal place. The most preferred and cheaper form of producing energy is the one that can be generated by exploiting natural resources. Because of its cost effectiveness and most convenient way of generating energy, its demand has been increasing much faster than that of other forms of energy generation.

The power sector in India has undergone significant progress after Independence. When India became independent in 1947, the country had a power generating capacity of **1,362 MW**. Hydro power and coal based thermal power have been the main sources of generating electricity. Generation and distribution of electrical power was carried out primarily by private utility companies. Notable amongst them and still in existence is Calcutta Electric. Power was available only in a few urban centers; rural areas and villages did not have electricity. After 1947, all new power generation, transmission and distribution in the rural sector and the urban center (which was not served by private utilities) came under the purview of State and Central government agencies. State Electricity Boards (SEBs) were formed in all the states. Nuclear power development is at slower pace which was introduced in late sixties. The concept of operating power systems on a regional basis crossing the political boundaries of states was introduced in the early sixties. In spite of the overall development that has taken place, the power supply industry has been under constant pressure to bridge the gap between supply and demand.

India has a surplus power generation capacity but lacks adequate distribution infrastructure. To address this, the Government of India launched a program called "Power for All" in 2016. The program accomplished by December 2018 in providing the necessary infrastructure to ensure uninterrupted electricity supply to all

households, industries, and commercial establishments. Funding is supplied through collaboration between the Government of India and its constituent states.

Power sector at a glance:[4]

Sector	**MW**	**% of Total**
Central Sector	1,00,055	24%
State Sector	1,05,726	25.3%
Private Sector	2,11,887	50.7%
Total	**4,17,668**	

* Source:- Central Electricity Authority(CEA)

Performance of Power Sector in India

Following are the performance of the power sector in the past four years:

- The electricity generation target (Including RE) for the year 2023-24 has been fixed as 1750 Billion Unit (BU). i.e. growth of around 7.2% over actual generation of 1624.158 BU for the previous year (2022-23). The generation during 2022-23 was 1624.158 BU as compared to 1491.859 BU generated during 2021-22, representing a growth of about 8.87%.
- The Nathpa Jhakri Hydro Electricity Station of Satluj Jal Vidyut Nigam (SJVN) has set a new monthly power generation record, increasing from 1,213.10 million units to 1,216.56 million units on July 31, 2021.
- 139 GW of installed capacity and 1.41 lakh circuit km of transmission lines were added and 2.8 crore households were connected in the past 6 years.
- Solar tariffs in India have reduced from Rs. 7.36/kWh (US 10 cents/kWh) in FY15 to Rs. 2.63/kWh (US 3.57 cents/kWh) in FY20.
- As December 2020, over 36.69 crore LED bulbs, 1.14 crore LED tube lights and 23 lakh energy-efficient fans have been distributed across the country, saving 47.65 billion kWh per year.[5]

[4] https://powermin.gov.in/en/content/power-sector-glance-all-india
[5] https://www.ibef.org/industry/power-sector-india.aspx

- Power consumption grew at 12.6% in the first week of June to 25.36 billion units (BU), indicating slow recovery in the commercial and industrial electricity demand.
- For FY21, electricity generation attained from conventional sources was at 1234.44 BU, comprising 1,032.39 BU of thermal energy; hydro energy (150.30 BU) and nuclear (42.94 BU). Of this, 8.79 BU was imported from Bhutan.
- NTPC Ltd.'s oldest unit in Singrauli, Uttar Pradesh, has achieved the highest Plant Load Factor (PLF) of 100.24% among all thermal units in the country between April 2020 and December 2020.
- India's rank jumped to 3rd 2022-23 from 137 in 2014 on World Bank's Ease of doing business - "Getting Electricity" ranking.
- Energy deficit reduced to 0.7% in FY20 from 4.2% in FY14.
- As of April 28, 2018, 100% village electrification was achieved under Deen Dayal Upadhyaya Gram Jyoti Yojana (DDUGJY).

Financial Management of Power Sector

- India is the third-largest producer and consumer of electricity worldwide, with an installed power capacity of 426.13 GW as of November 30,2023.
- Growing population along with increasing electrification and per-capita usage will provide further impetus. Power consumption in India in FY23 logged a 9.5% growth to 1,503.65 billion units(BU).
- In the union budget 2023-24, the government allocated US$ 885 million (Rs 7,327 crore) for the solar power sector including grid, off-grid, and PM-KUSUM projects.
- To meet India's 500 GW renewable energy target and tackle the annual issue of coal demand-supply mismatch, the ministry of power has identified 81 thermal units which will replace coal with renewable energy generation by 2026.
- 100% FDI allowed in the power sector has boosted FDI inflow in this sector.
- Schemes such as Deen Dayal Upadhyay Gram Jyoti Yojana(DDUGJY) and Integrated power Development scheme(IPDS) are expected to augment electrification across the country.

- As per the National Infrastructure Pipeline 2019-25, energy sector projects accounted for the highest share (24%) out of the total expected capital expenditure of US$ 1.4 trillion (Rs 111 lakh core).
- Total FDI inflows in the power sector reached US$ 17 billion between April 2000-september 2023

Power sector companies in india

JSW Energy The business was founded in 1994 and is headquartered in Mumbai, Maharashtra. Due to its mixing of guiding principles, comprehensive, organized management, world-class activities, and ethical, economic, and ecological benefits, JSW is regarded as one of the best power firms. Currently, the firm produces 4,559 MW, including 10 MW of solar electricity, 1391 MW of hydroelectric, and 3158 MW of thermal power. It is a blend of best practices as one of India's premier power businesses, whether it be organized planning, cutting-edge operations, or social, economic, and environmental advantages. Currently, we produce 4,559 MW, of which 3158 MW are thermal, 1391 MW are hydro, and 10 MW are solar.

NHPC National Hydroelectric Power Corporation, or NHPC, was established in 1975. It is a hydroelectric board run by the Indian government, comprised of the Ministry of Power. 74.51% belong to the Indian and state governments, while the general populace owns the remaining 25.49%. The business is based in Faridabad and offers energy trading and electricity production services. The Company also uses geothermal, tidal, wind, solar, and other energy sources. Twenty hydropower plants are owned and operated by NHPC Ltd.

NTPC Ltd NTPC was established in 1975, and its main office is in New Delhi. A well-known public sector company in India that produces and distributes power is called NTPC Limited. Instead of using fossil fuels to generate electricity, it now uses hydro, nuclear, and renewable energy sources. By reducing greenhouse gas emissions, this excursion will assist the Company in reducing its carbon footprint. It provides a variety of goods and services, such as the generation and transmission of electricity, as well as the allocation, transportation, and exploration of natural gas. In addition to coal mining, the firm has experimented in oil and gas exploration.

Power Grid Corporation Of India Ltd To execute, maintain, and construct the high voltage-producing producing infrastructure for the country, Powergrid was established in 1989. It is currently the most extensive electric transmission network in the nation and is a centrally-run public enterprise. Its transmission network has 164,511 circuit kilometers (km) of transmission lines, 243 EHVAC and HVDC substations, and net conversion potential of 3,67,097 MVA. About half of the power generated in India is distributed via the transmission network or POWERGRID. Currently, the public owns 48.66 percent of the Company, with the Indian government controlling 51.34%.

Tata Power Company Ltd With its corporate headquarters in Mumbai, TATA Power is India's largest private-sector power company, with an operating output potential of

about 10,577MW. With a total output capability of 13,061 MW across all of its subsidiaries and business operations, Tata Power uses 32% of sustainable energy. The Company is among the top private operators in every phase of the supply chain for rooftop solar and value-added products. Twelve million people use its distribution. Tata Power is an established business. It was established in 1915 and had more than a century of leadership and specialized experience. The Company has recovered its business by concentrating on the EV industry and renewable energy sources during the past few years.

Total Generation and growth over previous year in the country during 2009-10 to 2023-24 :-[6]

Year	Total Generation (Including Renewable Sources) (BU)	% of growth
2009-10	808.498	7.56
2010-11	850.387	5.59
2011-12	928.113	9.14
2012-13	969.506	4.46
2013-14	1,020.200	5.23
2014-15	1,110.392	8.84
2015-16	1,173.603	5.69
2016-17	1,241.689	5.80
2017-18	1,308.146	5.35
2018-19	1,376.095	5.19
2019-20	1,389.102	0.95
2020-21	1,381.855	-0.52
2021-22	1,491.859	7.96
2022-23	1,624.158	8.87
2023-24*	286.176	-0.72

* Upto May 2023 (Provisional),

Source : Central Electricity Authority(CEA)

[6]Generation and growth of power over orevious year

https://www.inventiva.co.in/trends/top-10-best-power-companies-india-2023

Profile of NHPC

NHPC Limited is the largest hydropower development organization in India, with capabilities to undertake all the activities from conceptualization to commissioning of hydro projects. NHPC has also diversified in the field of Solar & Wind energy development.

NHPC Ltd. (Formerly known as National Hydroelectric Power Corporation Ltd.) was incorporated in 1975 under Companies Act, 1956. The company is mandated to plan, promote and organize an integrated and efficient development of power in all its aspects through Conventional and Non-Conventional Sources in India and abroad. NHPC is a listed company on NSE and BSE after successfully concluding its IPO in 2009.

NHPC's total installed capacity as on 29 February,2024 is 7097.20 MW including 1546 MW in Joint Venture, comprising 6971.20 MW from 22 Hydro Power Stations, 76 MW from two Solar Power Project and 50 MW from a Wind Power Project. NHPC's hydro share of 6971.20 MW comes to about 14.88% of the country's total installed Hydro capacity of 46850.18 MW.

NHPC including its JVs/ Subsidiaries is presently engaged in the construction of 16 projects aggregating to a total installed capacity of 10449.70 MW, which includes three hydroelectric projects i.e. Subansiri Lower HEP (2000 MW) & Dibang Multipurpose Project (2880 MW) in Arunachal Pradesh and Parbati-II HEP (800 MW) in Himachal Pradesh and three Solar Projects totaling 1000 MW being undertaken under MNRE, CPSU scheme in Gujarat(600 MW), Rajasthan(300 MW) & Andhra Pradesh(100MW) by NHPC, whereas six Hydroelectric projects and three Solar projects are being executed by Subsidiaries / JV Companies of NHPC namely Pakal Dul HE Project (1000 MW), Kiru HE Project (624 MW) & Kwar HE Project (540 MW) in UT of J&K by CVPPL, Ratle HE Project (850 MW) in UT of J&K by RHPCL, Teesta-VI HE Project (500 MW) in Sikkim by LTHPL, Rangit-IV HE Project (120 MW) in Sikkim by JPCL, 88 MW Floating solar PV project in the Reservoir of Omkareshwar Project & 8 MW Sanchi solar PV plant in M.P by NHDC, Kalpi Solar Project (26 MW out of 65 MW is under operation and 39 MW is under construction) in UP by BSUL and Ground Mounted SPP (0.70 MW) in Central University of Rajasthan.

In addition,Thirteen projects aggregating to a total installed capacity of 4847 MW are Under Clearance Stage which includes four hydro & Three solar projects by NHPC on his own and Six projects (2 in hydro & 4 in solar) in JV mode. Further, Four Hydroelectric projects and One Pumped Storage Project aggregating to a total installed capacity of 4750 MW are in Survey & Investigation Stage being undertaken by NHPC.

Financial Management Practices of NHPC

The company remains financially strong and this is reflected in the financial results. I am happy to inform that your Company has achieved highest ever Annual Profit After Tax (PAT) of Rs.3833.79 Crore on standalone basis as compared to Rs.3537.71 Crore in the previous financial year, i.e. a growth of 8%. The total income during the financial year 2022-23 was Rs 10,150.90 crore. The total comprehensive income during the financial year 2022-23 increased to Rs 3830.42 crore from Rs 3550.47 crore in the previous financial year. Revenue from operations during the financial year 2022-23 was Rs 9316.34 crore. Supported by positive growth, your Company delivered its best performance. I am pleased to inform you that the Board of Directors has recommended a final dividend of 0.45 per equity share for the financial year 2022-23, amounting to Rs 452.03 crore. The company has also paid an interim dividend of Rs 1406.30 crore at the rate of Rs 1.40 per equity share in March, 2023. The final dividend will be paid after its approval at the 47th Annual General Meeting. Upon approval, the total dividend payout for FY 2022-23 will be Rs 1.85 per equity share amounting to Rs 1858.33 crore.[7]

[7]NHPC financial management practices

https://www.nhpcindia.com/welcome/job

Profile of Tata Power Company Limited

Tata Power is serving more than 12 million distribution consumers in India and has developed the country's first 4150 MW Ultra Mega Power Project at Mundra (Gujarat) based on super-critical technology. It is also one of the largest renewable energy players in India with a clean energy portfolio of 30%.Its international presence includes strategic investments in Indonesia through a 30% stake in the leading coal company PT Kaltim Prima Coal (KPC), a 26% stake in mines at PT Baramulti Suksessarana Tbk ("BSSR"); in Singapore through Trust Energy Resources to securitize coal supply for its thermal power generation operations; in Zambia through 50:50 joint venture with ZESCO for 120 MW Hydro which has become operational in 2016; in Georgia through AGL which is a joint venture with Clean Energy, Norway & IFC for development of 185 MW hydro project which is scheduled to be commissioned in 2016; in Australia through investments in enhanced geothermal and clean coal technologies and in Bhutan through a hydro project in partnership with The Royal Government of Bhutan. With its track record of technology leadership, project execution excellence, world-class safety processes, customer care, and driving green initiatives, Tata Power is poised for multi-fold growth and committed to 'lighting up lives for generations to come".[8]

Financial Management Practices of Tata Power

Financial Management Practices of Tata Power That said, FY22 also came with its fair share of challenges, including headwinds arising from higher commodity prices, residual impacts and variants of COVID-19, geopolitical conflict and erratic weather patterns. However, we were able to deliver a strong financial performance, with Revenue at ₹42,576 crore (up 28% y-o-y), EBITDA at ₹8,191 crore (up 3% y-o-y) and PAT at ₹2,156 crore (up 50% y-o-y). The rate was higher every year). You We have also made solid progress on some of our key issues and continue to strengthen our balance sheet. Taking advantage of our strong operating cash flow, we reduced our net debt to underlying EBITDA to 3.92. Our domestic and international credit ratings improved in FY22, reducing our average borrowing cost by 36 bps to 6.82%.

[8]https://www.tatapower.com/investor-relations/tata-power-2022/index.html

Review of Literature

A literature review is a text of a scholarly paper, which includes the current knowledge including substantive findings, as well as theoretical and methodological contributions to a particular topic. Literature reviews use secondary sources, and do not report new or original experimental work.

Ranganathan G (2015)[9] has attempted with the objective to understand the importance of the financial management practices and find out research gaps in the chosen area. The review covers the studies related to accounting and working capital management practices in MSMEs and leaves the scope for future research in capital budgeting techniques, capital structure, cost of capital, inventory management practices, dividend policies on compliance with the Tandon committee report and financial structure of the MSMEs. So with this review of research the gap of research in the concerned area can be easily identified and it will be helpful to the researchers in future and highlights the present trends in financial management practices.

Mishra Sadanand (2015)[10] made an attempt to investigate about the effect of efficiency on financial management practices such as maintenance of books of accounting, working capital management, financial planning and characteristics such as liquidity, leverage and asset turnover on profitability of business organization. For this study, he took 135 business organizations out of which 27% responded and by using correlation matrixes found out that efficiency of financial management practices can bring about higher profitability. A sound financial management practice is essential to the success of business organizations.

Das Guptam, M.K (2016)[11] examined the overall financing of small scale industries and also the contribution of the financial institutions and banks in financing small scale units. To facilitate the study, primary data was collected through a sample survey of 150 small scale entrepreneurs spread over Madras city and its vicinage.

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[9] Ranganathan G, Financial Management Practices in MSME-A Review of Research, Journal of SEDME, 2015

[10] Mishra Sadanand, Effect of Financial Management Practices and Characteristics on Profitability: A Study on Business Enterprises, Journal of Research in Commerce and Management, Vol.2, Issue No 5, 2015

[11] Das Guptam M.K, New Financing Avenues and SIDBI's Initiatives, The Chartered Accountant, Journal of the Institute of Chartered Accountants of India, Vol. XLIII, No.1, 201

The study gives an integrated view of various sources of initial capital available to the sample entrepreneurs and the problems involved in availing the financial help from the institutions. It has been found that the entrepreneur with non-business background relied heavily on external sources like banks and other financial institutions. They face problems like delay in sanction and disbursement, inadequacy of loan, insistence for collateral security, impersonal and non-cooperative attitude of the officials. A single agency approach has been recommended as a solution to these problems in the study.

Ramakrishnaiah (2016)[12] has attempted to evaluate the role of APSFC in financing the SSI sector in Andhra Pradesh. The study was analytical in nature, concentrating on the pattern of financing the SSI sector, examining year-wise, type-wise, constitution-wise, purpose-wise and region- wise credit sanction and disbursement in Andhra Pradesh. The data for this study have been exclusively drawn from the annual reports of APSFC. They find that the major from of loans extended to SSI sector were term loans only. Other forms of loans, such as working capital, soft loans and bridge loans have not only been marginal, but also their share declined gradually over the years.

Bhattacharya Mausumi (2016)[13] in her research paper highlighted the significance of credit rating for an MSME. SMERA is the country's first rating agency in India that focused on SME segment. It offers Data Universal Numbering System (DUNS) number an internationally acceptable number along with its rating reports. It is a unique 9 digit number which is used to identify a business in a global supply chain. Ratings will help SMEs access to financial services more efficiently by providing benchmarks & improving transparency. On the other hand SMEs can leverage their ratings for negotiating better borrowing rates and strengthening their relationships with bankers & non-financial institution. SMEs can use ratings as a marketing tool. Rating agencies need to work closely with the banks in changing their traditional outlook towards the SME.

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[12] Ramakrishnaiah, Institutional Finance to SSI: Role of APSFC, SEDME Journal, 2016

[13] Bhattacharya Mausumi, Changing Face of SME in India: Strategic Importance of SME Rating, The Management Accountant, 201

Das Ashim Kumar (2017)[14] found through his study that there is a wide gap between theory and practice of financial management. Small Business owner-managers may hardly find the existing financial management techniques of use. At the same time, little effort has been made in the field of research on developing tools and techniques for small business With their peculiar problems and limited resources, this sector generally relies more on traditional accounting namely financial and taxation matters, rather than financial management. Small business units in India are facing some problems, which makes the application of innovative tools difficult, due to lack of knowledge and awareness of the tools of financial management. The study also suggested that measures should be taken to familiarize the owner-managers with modern tools, and their benefits to be derived from their use etc., through the provision of training, short term courses, conferences, seminars/workshops etc. by the development agencies.

Abanis Turyahebwa and Arthur Sunday (2017)[15] tried to establish the relationship between financial management practices and business performance of SMEs in western Uganda. The study supports the pecking order theory in explaining the financing of SMEs together with resource based view as the theories that help in explaining business performance of SMEs. As a result, the study provided models for efficient financial management practices. These models can then be used to provide a trajectory for improving business performance of SMEs in Uganda. The owners of SMEs should develop a positive attitude towards adopting financial management practices so as to achieve desired business performance.

Barthwal R. R. (2019)[16] in his study on The Determinants of Profitability in aluminium Industry has examined the factors, which cause variation in the profitability. The explanatory variables used are size of the firm, age of the firm, past profitability, past growth, capital-output ratio and changes in the average cost of production.

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[14]Das Ashim Kumar, Financial Management and Analysis Practices In Small Business: An Exploratory Study in India, National Institute of Technology, Silchar, India, 2017

[15] Abanis Turyahebwa and Arthur Sunday, Financial Management Practices and Business Performance of Small and Medium Enterprises In Western Uganda, African Journal of Business Management, Vol. 7(38), 2017

[16]Barthwal R.R., The Determinants of Profitability in Indian aluminium Industry, The Economica, Vol.43, 2019, pp 267-27

Only the cost of production had been found to be significant determinants of profitability for the firms in the industry in different regions of the country The other factors like size and age of the firm, capital output ratio and past growth had explained less than 25 per cent of the variation in the profitability and were considered as insignificant.

Pandey I. M. (2019)[17] has conducted a study on "The Financial Leverage in India" and found that there was no definite structural relationship between the degree of financial leverage, on the one hand and profitability and growth on the other hand, though profitability and growth have improved over time and so had the degree of leverage. It is found out through the study that Indian companies follow a high levered capital structures, the size of the companies are highly associated with leverage and as the leverage increased, the profitability and growth also increased.

Mittal R. K. and Singla R. K. (2019)[18] have conducted a research on the "Determinants of Debt-Equity Mix". The main variables identified were size, fixed assets, debt service capacity, business risk and growth rate. Twenty five companies form the private sector cement and automobile industries were selected for the study. A multiple regression model was framed to test the effect of debt-equity on the variables. It was reported that in the cement industry the important explanatory variables were size, asset composition, business risk and growth rate. Except business risk variable all other variables were not significant in the automobile industry. In the cement industry, only asset composition had a positive correlation while other variables were found to be significant in the opposite direction while in the automobile industry business risk was found to be significant. It was concluded that there was no similarity in the determinants of debt-equity mix of the two industries except for the business risk.

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[17]Pandey I.M., The Financial Leverage in India- A Study, Indian Management, March 2019, pp 21-34

[18]Mittal R.K. and Singla R.K., Determinants of Debt-Equity Mix, Finance India, Vol. VI, No.2, June 2019, pp299-30

Relevance of the Study

Financial management provides pathways to attain goals and objectives in an organization. The main duty of a financial manager is to measure organizational efficiency through proper allocation, acquisition and management. It provides guidance in financial planning. It assists in acquiring funds from different sources.

This proposed study has been carried out in order to know whose financial management practices are the best.

Objectives of the study

i. To discuss the financial management practices of NHPC.
ii. To discuss the financial management practices of Tata Power.
iii. To discuss the financial management practices of Power Sector Companies.
iv. To assess the competitive advantage of the companies due to financial management practices.
v. To assess which company has the better financial management Practices in place.
vi. To assess why finance are so important for any company.

Hypothesis of the Study

H1: The cost of production of electricity of NHPC is cheaper than Tata Power.

H2: The Financial Management Practices of NHPC is better than Tata Power.

Research Methodology

Research methodology is a way to find, pick, process and then analyse material about a topic, particular procedures & approaches are utilized. People can assess a study's reliability and validity, which is incredibly advantageous for them. A researcher can describe their intended study approach by using research methodology It is a methodological, logical strategy to address a research issue.

Data Collection Methods:

Quantitative Data: Gather financial data such as annual reports, financial statements, books,newspapers and key financial ratios for both companies.

Qualitative Data: Conduct interviews or surveys with key stakeholders, such as financial managers, executives, and industry experts, to gain insights into the financial management strategies and practices of the two companies.

Population and Sampling: Total sample size will be of 500 Respondents. If on the basis of a suitable survey, more specific information about the company is to be obtained, then using primary data, data can be collected through questionnaires from the executives and non-executive members present in the organization

Data Analysis:

Quantitative Analysis: Utilize statistical methods to analyze financial data, comparing key financial ratios, profitability, liquidity, efficiency, and solvency between NHPC and Tata Power Company Limited.

Qualitative Analysis: Employ thematic analysis or content analysis to examine interview or survey data, identifying common themes, patterns, and differences in financial management practices between the two companies.

Research Gap

Researching the financial management gap between NHPC and Tata Power in the power sector requires a comprehensive analysis of their financial statements, management practices, investment strategies, and market positioning. Key areas to explore could include capital structure, liquidity management, investment decisions, profitability ratios, debt management, and overall financial performance. Conducting a comparative study will provide insights into the strengths and weaknesses of each company's financial management practices, highlighting areas where one may outperform the other and identifying opportunities for improvement. Additionally, analyzing industry trends, regulatory environments, and macroeconomic factors impacting the power sector will provide context for understanding the differences in financial management approaches between NHPC and Tata Power.

Limitations Of The Study

1. Data Availability: Availability of comprehensive and up-to-date financial data for both NHPC and Tata Power Company Limited may be limited, especially if certain financial information is not publicly disclosed or difficult to obtain.
2. Comparative Analysis Challenges: Conducting a comparative study between two companies operating in different contexts and with potentially different financial reporting standards may introduce complexities and make direct comparisons challenging.
3. External Factors: External factors such as regulatory changes, market conditions, economic fluctuations, and geopolitical events could influence the financial performance of both companies, making it difficult to isolate the effects of internal financial management practices.
4. Sample Size: Limiting the study to just two companies may restrict the generalizability of your findings to the broader power sector in India, as other companies may exhibit different financial management practices.

Tentative Chapterisation

Chapter 1: Introduction

Chapter 2: A Critical Evaluation of Financial Management of the Power Sector Companies in India.

Chapter 3: A Brief Profile of NHPC and Tata Power Company Limited

Chapter 4: A comparative evaluation of Financial Management of NHPC and Tata Power Company Limited.

Chapter 5: Literature Review

Chapter 6: Hypothesis testing, Summery, Findings and Suggestions.

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Supervisor

(Deepak Kumar Mehta)
Research Scholar